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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

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September 03, 2013

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

MEDICAL, DENTAL, LIFE INSURANCE, AND DISABILITY PLANS FOR 2014 (ALL DISTRICTS) (3 VOTES)

SUBJECT

Recommendation to approve premium rates and benefit changes for the 2014 calendar year for the medical, dental, life, and disability benefit plans applicable to represented and non-represented employees.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve proposed premium rates for County-sponsored plans as follows: (a) medical and dental rates for represented employees for the period January 1, 2014 through December 31, 2014, as recommended in this letter and shown in Exhibit I; (b) medical and dental rates for non-represented employees for the period January 1, 2014 through December 31, 2014, as recommended in this letter and shown in Exhibit II; (c) basic life and accidental death and dismemberment (AD&D) insurance rates for represented and non-represented employees and, for represented employees only, optional group term life and dependent life insurance rates, for the period January 1, 2014 through December 31, 2016, as shown in Exhibit III; (d) Supplemental Group Variable Universal Life (GVUL) and dependent term life for non-represented employees for the period January 1, 2014 through December 31, 2016 as shown in Exhibit III; (e) Survivor Income Benefit (SIB) rates for non-represented employees for the period January 1, 2014 through December 31, 2016, as shown in Exhibit III; and (f) rates for Short-Term Disability (STD), Long-Term Disability (LTD) and LTD Health Insurance plans, as shown in Exhibit IV.
2. Instruct County Counsel to review and approve as to form the appropriate agreements and/or amendments as follows:

a. Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company (Anthem Blue Cross); Cigna Health and Life Insurance Company and Cigna Healthcare of California, Inc. (Cigna); Kaiser Foundation Health Plan, Inc. (Kaiser); UnitedHealthcare of California and UnitedHealthcare Insurance Company (UnitedHealthCare); SafeGuard Health Plans, Inc. (SafeGuard); Delta Dental of California (Delta Dental PPO); Delta Dental of California for DeltaCare USA (DeltaCare USA); and Metropolitan Life Insurance Company (MetLife); or their successors and affiliates, as necessary, for the period January 1, 2014 through December 31, 2014.

b. Life Insurance of North America (LINA) or their successors or affiliates, as necessary, for the period January 1, 2014 through December 31, 2016.

3. Instruct the Chair to sign the aforementioned agreements and/or amendments.

4. Approve proposed premium rates for the health plans sponsored by the Association for Los Angeles Deputy Sheriffs, Inc. (ALADS) and the Los Angeles County Fire Fighters Local 1014 (Local 1014), and proposed premium rates and benefit coverage changes for the California Association of Professional Employees (CAPE), for the period January 1, 2014 through December 31, 2014, as shown in Exhibit V.

5. Instruct the Auditor-Controller to make all payroll system changes necessary to implement the changes recommended herein to ensure that all changes in premium rates are first reflected on pay warrants issued on January 15, 2014.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

PURPOSE

The County maintains employee health, dental, group life and other insurance programs to provide benefits that promote the effectiveness, health, and welfare of its workforce. The current premium rates and/or agreements for all County and union-sponsored medical, dental, and life insurance plans will end on December 31, 2013. The purpose of the recommendations contained in this letter is to implement negotiated agreements with carriers to continue existing benefits and to adopt changes, as recommended, for the 2014 calendar year.

JUSTIFICATION

Overall Premium Negotiation Process and Results

County-Sponsored Plans in General - The recommendations regarding the County-sponsored plans (Exhibits I, II, III, and IV) are the result of negotiations between the health, dental, and life insurance carriers and the County negotiating team consisting of representatives of the Chief Executive Office (CEO), Department of Human Resources (DHR), and the County's group insurance consultant, Aon Hewitt (Aon). The unions' benefit consultants also provided input into the insurance carrier negotiation process for County-sponsored plans with benefits governed by the Fringe Benefits Memoranda of Understanding (MOU) with Service Employees International Union Local 721 (Local 721) and the Coalition of County Unions (CCU).

Aon has concluded that the County-sponsored plans carriers' final negotiated rates are justified. Their opinion and the supporting due diligence are documented in Attachments A and B.

In general, County medical and dental plans are rated by carriers based on the cost of claims, claims trend, and administration costs. The ratings also consider the health risk of and the utilization of health care by County employees and their covered dependents. The County-sponsored medical plan rates recommended in this letter increased an average of 8.9 percent for represented employees and 8.8 percent for non-represented employees over last years' rates. Aon estimates that nationwide medical cost trends will average 11 percent in 2014, 2.1–2.2 percent greater than the County plan increases. These trends include an additional 2.5 percent in fees and assessments imposed on the health plans in 2014 under the Affordable Care Act (ACA). The impact of the ACA on the County's health insurance providers is discussed further in this report.

The nationwide dental cost trend continues to be more moderate than the medical cost trend, averaging 4 percent to 5 percent, depending on the type of plan. The rates for the County's Delta Dental PPO plan, which covers the majority of the County's employees, will decrease for 2014.

Basic life and AD&D rates remain the same as the 2013 rates and are guaranteed through 2016. Due to the County's favorable experience, optional group term life, and dependent life insurance rates will decrease by 4 percent for represented employees for 2014 and are guaranteed through 2016. Supplemental GVUL and dependent term life insurance rates for non-represented employees remain unchanged and are guaranteed through 2016. SIB rates for non-represented employees remain the same as 2013 and are guaranteed through 2016.

County Approved Union-Sponsored Plans - The premium and benefit recommendations in Exhibit V for County-approved union-sponsored health plans were negotiated by the sponsoring unions and evaluated by the CEO and DHR pursuant to the relevant provisions of the CCU Fringe MOU and County Code. The joint CEO and DHR recommendations are provided later in this report.

Renewal Policy and Process - In accordance with County policy, the County negotiating team requires all carriers to justify rates and support proposed contract terms for the upcoming plan year. The rate renewal process for 2014 (Attachments A and B) was designed to encourage full involvement and transparency among all County, union, and carrier stakeholders. The process involved production of data by carriers as needed, identification, in-depth analysis, and evaluation of all material underwriting issues in carrier proposals, and documentation of due diligence and financial results. All parties complied with the process.

Overall Results - Attachment C is a high level summary of carrier negotiation results that compare the estimated actual total premiums from initial carrier premium quotes for 2014 with the final result after performance guarantee review, challenges to carrier underwriting, benefit changes and negotiation. Summary reasons for the negotiated reductions are given.

Total 2014 premiums to be paid to health, dental, group life and other insurance plan carriers are estimated to be \$1.3 billion, of this total just over \$1.1 billion is for County-sponsored plans and \$227.8 million for Union-sponsored plans. This is an increase of \$100 million (8.3 percent) over 2013.

Total savings from initial 2014 carrier proposals are \$19.1 million. This amount includes \$18.2 million in negotiated savings from 2014 carrier proposals and \$901,435 from performance guarantee refunds and rate credits.

Attachment C also shows the percentage increase for each carrier by cafeteria plan as well as the total increase for County-sponsored health, dental, group life and other insurance programs. The increase in medical plan premiums estimated to be paid to health carriers during 2014 will range

from 7.9 percent to 13.2 percent (8.9 percent average). This is lower than the expected average projected nationwide medical cost trend increase of 11 percent. The overall decrease for dental plans will be -8.3 percent. For 2014, AD&D insurance rates will remain the same for both represented and non-represented employees.

2014 Premium Rates Recommended for Approval

Recommended Rates - County and union-sponsored health, dental, group life and other insurance rates recommended for adoption are shown in Exhibits I through V. Unless otherwise noted in this letter, the rates support existing benefits consistent with the applicable MOU or County Code provision. The rates shown in these exhibits are the monthly prices that employees will pay from County cafeteria plan contributions after County subsidies are subtracted from negotiated premium rates paid to carriers. For this reason, percentage increases in premium rates to be charged to employees as shown in the Exhibits, in many cases, may differ from the negotiated increases in premium to be paid to carriers as reported in the body of this letter and in Attachment C.

Union Concurrence - On August 8, 2013, the CCU and management representatives in the Labor-Management Employee Benefits Administration Committee (EBAC) voted to recommend the premium rates for employees represented by the CCU.

On August 14, 2013, Local 721 and management representatives in the Labor-Management Benefits Administration Committee (BAC) voted to recommend the premium rates for the County-sponsored plans applicable to employees represented by Local 721.

Impact of the Affordable Care Act

In general, the Affordable Care Act enacted reforms to provide affordable health insurance to 44 million uninsured Americans and to reduce the growth in health care spending. In 2014, new fees and assessments mandated by the ACA on health insurance providers will account for an approximately 2.5 percent increase in health care costs. These new fees and assessments include a Health Insurance Industry fee, a Reinsurance Assessment, and the Patient Centered Outcomes Research Institute (PCORI). These fees and taxes are intended to help fund the Affordable Care Act.

The ACA requires that most Americans have health coverage in 2014 or pay a penalty. The health coverage offered to County employees more than meets the standards required under the ACA. The new health insurance marketplaces are designed primarily for individuals who are not offered employer subsidized health insurance coverage or are offered coverage that does not meet certain minimum value and affordability standards required by the ACA. Therefore, the health insurance marketplaces and exchanges generally do not apply to County employees. Nevertheless, as required by the U.S. Department of Labor, the County will deliver an informational notice about the new health insurance marketplaces in their annual benefits enrollment package.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the principles of the Countywide Strategic Plan by promoting the well-being of County employees and their families by offering comprehensive employee benefits.

FISCAL IMPACT/FINANCING

Each cafeteria plan, including represented employee plans provided by MOUs with County unions, provides for a County contribution and, in some cases, an additional subsidy to help pay the cost of insurance benefits. Employees pay for additional costs above and beyond the County contributions through payroll deductions.

For represented employees, the County contributions and subsidies to the cafeteria plans are determined through the collective bargaining process. The negotiated amounts currently in effect are set out in the 2012-2013 fringe benefit agreement with Local 721 and the amendment to the fringe benefit agreement with CCU, which expire on September 30, 2013. Until such time as the current contributions and subsidies are changed by successor agreements, there will be no change in the County costs related to the cafeteria plans or group insurance benefits. Pending that event, the costs of the 2014 increases in group insurance premiums recommended herein will be borne entirely by the affected employees through increases in payroll deductions.

To preserve internal equity, the same treatment will be extended to non-represented employees. All increases in the premium rates affecting non-represented employees will be absorbed by the employees through higher payroll deductions pending any future Board action regarding cafeteria plan contribution or subsidy amounts.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The general facts concerning 2014 premium rate and benefit adjustments for County-sponsored plans affecting both represented and non-represented employees are stated in this section. The details of each carriers' County-sponsored medical, dental, group life and other insurance plan proposal, Aon's evaluation and opinion concerning their justifications and terms of offer are given in Attachments A and B.

Medical Plan Rates Affecting Represented Employees

Cigna Rates for 2014:

Cigna provides two different plans to employees represented by the CCU: a Health Maintenance Organization (HMO) and a point of service plan (POS). The 2014 negotiated contract rates for the HMO and POS plans will increase by 13.2 percent. Aon's opinion certifying Cigna's 2014 rates as justified is included in Attachment A.

Kaiser Rates for 2014:

The rates for the CCU plan in 2014 will include a change in the Durable Medical Equipment (DME) benefit that includes a supplemental benefit to match the DME coverage for the Local 721 plan. Kaiser's 2014 rates will increase by 7.8 percent for the CCU plan and 7.7 percent for the Local 721 plan.

Aon's opinion certifying Kaiser's 2014 rates as justified is included in Attachment A.

UnitedHealthcare Rates for 2014:

UnitedHealthcare provides two fully insured plans to employees represented by Local 721: an HMO and a preferred provider organization (PPO) plan. The 2014 overall negotiated contract premium rates for both plans will increase by 9.9 percent (9.7 percent for the HMO and 19.9 percent for the PPO). Aon's opinion certifying UnitedHealthcare's 2014 rates as justified is included in Attachment

A.

Union-Sponsored Plan Benefit Changes and Rates for 2014:

Premiums for County-approved union-sponsored plans will also increase for 2014. The estimated increase in premiums paid to carriers in 2014 on behalf of the union-sponsored plans is approximately \$14.7 million or 6.9 percent over 2013. Proposed 2014 premium increases to be paid to carriers and benefit changes for the ALADS, CAPE, and Local 1014 plans are summarized below:

1. ALADS, 9 percent increase with no benefit changes;
2. CAPE, 5 percent increase with an enhanced vision benefit through Vision Services Plan (VSP) and an increased DME benefit for all plans; and
3. Local 1014, 4.7 percent increase with no benefit changes.

The subsidized rates to be paid by employees enrolled in union-sponsored plans are summarized in Exhibit V. The complete list of carrier benefit changes, upon which the 2014 rates are based, is documented in the Union request letters attached to Exhibit V. We have reviewed the changes for all three plans and support them.

Dental Plan Rates Affecting Represented Employees

The recommended employee contribution rates for County-sponsored represented employee dental plans are summarized in Exhibit I. The employee contribution rates shown for the Delta Dental PPO plan are Delta's proposed rates for 2014, less current County subsidies included in the 2012-2013 fringe benefit agreement/amendment with Local 721 and the CCU. As already noted, these subsidies will remain fixed unless and until changed by successor agreements. Since subsidies can affect year-to-year differences, the percentage rate differences shown in Exhibit I differ from those described in this section. The rates for prepaid dental plans (DeltaCare USA and SafeGuard) are the rates negotiated with the carriers.

Delta Dental PPO plan contract rates will decrease by 8.6 percent for the CCU and by 9.4 percent for Local 721 for 2014. In addition, the CCU and County have agreed to a two-month premium holiday in April and May 2014 in order to bring down a high premium stabilization reserve with Delta Dental. This means in April and May 2014 there will be no premiums charged to either the employee or the County for those employees enrolled in the Delta Dental Choices plan. A decision on premium holiday for Options participants is pending an agreement between Local 721 and the County. The prepaid dental plan DeltaCare USA's rates remain the same for both Local 721 and the CCU.

SafeGuard's contract rates will decrease by 1 percent for 2014.

Aon's opinion certifying the dental rates as justified is included in Attachment B.

Life Insurance and Disability Programs for Represented Employees

Basic term life and AD&D rates for 2014 are the same as 2013 and are guaranteed through 2016. Optional group term life insurance, and dependent life insurance rates will be reduced by 4 percent due to favorable experience and are guaranteed through 2016.

Medical Plan Rates Affecting Non-represented Employees

Non-represented employees who participate in the MegaFlex and Flexible Benefit plans have a

choice between Kaiser and four Anthem Blue Cross health plans, which include an HMO, POS, PPO, and a Catastrophic Plan. For 2014, the average increase in contract rates for the Anthem Blue Cross HMO and Anthem Blue Cross indemnity plans (POS, PPO, and Catastrophic) will be 9.4 percent. Kaiser's 2014 rates will increase by 7.9 percent.

There are currently no employees enrolled in the Kaiser Mid-Atlantic plan, this plan is offered to the few County employees working in the Washington, D.C. area. Kaiser notified the County that employees may enroll in the plan for 2014 if desired and rates will be set upon enrollment.

Aon has reviewed the proposed increases and recommends that the County accept the final 2014 renewals offered by Anthem Blue Cross and Kaiser. See attachment B for their review and opinion.

We recommend that the Board continue the historical County practice of funding any difference between the negotiated contract cost of these plans and the contribution paid by the employees. The recommended employee contribution rates for non-represented employees are summarized in Exhibit II. However, as mentioned earlier, any increases to the County subsidy as a result of labor negotiations are not yet included so the rates in Exhibit II will change after labor negotiations are completed.

Dental Plan Rates Affecting Non-represented Employees

The recommended employee contribution rates for County-sponsored non-represented employee dental plans are summarized in Exhibit II. The Delta Dental PPO rates have been reduced by current County subsidies previously approved by the Board. As already noted, these subsidies will remain fixed unless and until changed by successor agreements. Since subsidies can affect year-to-year differences, the percentage rate differences shown in Exhibit II differ from those described in this section. The rates for prepaid dental plans (DeltaCare USA and SafeGuard) are the rates negotiated with the carriers.

The Delta Dental PPO rates will decrease by 6.7 percent for 2014. Non-represented employees will have a two-month premium holiday in April and May 2014 in order to bring down a high premium stabilization reserve with Delta Dental. This means there will be no premiums charged for two months to either the employee or the County for those employees enrolled in the Delta Dental Non-represented plan. The prepaid dental plan DeltaCare USA's rates remain the same for 2014.

SafeGuard's contract rates will decrease by 1 percent for 2014.

Aon's opinion certifying the dental rates as justified is included in Attachment B.

Life Insurance and Disability Programs for Non-represented Employees

GVUL life insurance and dependent term life rates remain the same and are guaranteed through 2016. SIB rates remain the same and are guaranteed through December 31, 2016. Cigna's basic term life insurance for certain non-represented employees remain the same and are guaranteed through 2016. Cigna's AD&D rates remain the same and are guaranteed through 2016.

There will be no changes in the cost of LTD, LTD Health Insurance and STD rates for 2014.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The Honorable Board of Supervisors

9/3/2013

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None.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. T. Fujioka', with a long horizontal line extending to the right.

WILLIAM T FUJIOKA

Chief Executive Officer

WTF:BC:JA

MTK:LSB:mst

Enclosures

c: Auditor-Controller
County Counsel
Executive Office, Board of Supervisors
Human Resources
SEIU Local 721
Coalition of County Unions
Aon Hewitt

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2013 RATES AND PROPOSED 2014 RATES**

Plan	Option	Coverage Category ^a	Current 2013 Rates ^b	Proposed 2014 Rates ^b	Percentage Change
CIGNA Choices	Network HMO	1	\$ 583.13	\$ 659.26	13.1%
		2	\$ 1,163.76	\$ 1,318.00	13.3%
		3	\$ 1,339.95	\$ 1,517.68	13.3%
	Network POS	1	\$ 1,047.13	\$ 1,185.09	13.2%
		2	\$ 1,862.87	\$ 2,110.27	13.3%
		3	\$ 1,954.15	\$ 2,213.71	13.3%
CIGNA Options	Network HMO	1	\$ 577.13	\$ 653.26	13.2%
		2	\$ 1,160.20	\$ 1,314.44	13.3%
		3	\$ 1,334.39	\$ 1,512.12	13.3%
	Network POS	1	\$ 1,041.13	\$ 1,179.09	13.3%
		2	\$ 1,859.31	\$ 2,106.71	13.3%
		3	\$ 1,948.59	\$ 2,208.15	13.3%
KAISER Choices		1	\$ 593.87	\$ 640.46	7.8%
		2	\$ 1,182.29	\$ 1,275.49	7.9%
		3	\$ 1,372.33	\$ 1,480.44	7.9%
KAISER Options		1	\$ 562.92	\$ 606.79	7.8%
		2	\$ 1,128.84	\$ 1,216.57	7.8%
		3	\$ 1,308.90	\$ 1,410.66	7.8%
UNITEDHEALTHCARE Options	HMO	1	\$ 534.90	\$ 587.37	9.8%
		2	\$ 1,083.62	\$ 1,189.60	9.8%
		3	\$ 1,254.73	\$ 1,377.50	9.8%
	PPO	1	\$ 1,302.06	\$ 1,562.36	20.0%
		2	\$ 2,632.59	\$ 3,158.27	20.0%
		3	\$ 3,049.76	\$ 3,658.85	20.0%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies

CIGNA, Kaiser, and UnitedHealthCare rates include mandatory Federal healthcare reform & Autism benefit costs.

Kaiser 2014 rates for Choices plan include DME supplemental benefit costs.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2013 RATES AND PROPOSED 2014 RATES**

Plan	Option	Coverage Category ^a	Current 2013 Rates ^b	Proposed 2014 Rates ^b	Percentage Change
DELTA DENTAL ^b		1	\$ 27.07	\$ 24.34	-10.1%
Choices		2	\$ 45.41	\$ 40.76	-10.2%
		3	\$ 68.30	\$ 61.16	-10.5%
DELTA DENTAL ^b		1	\$ 45.51	\$ 40.48	-11.1%
Options		2	\$ 76.37	\$ 67.82	-11.2%
		3	\$ 115.34	\$ 102.25	-11.3%
DELTACARE USA ^c		1	\$ 15.41	\$ 15.41	0.0%
Choices & Options		2	\$ 25.41	\$ 25.41	0.0%
		3	\$ 37.59	\$ 37.59	0.0%
SAFEGUARD ^d		1	\$ 11.45	\$ 11.34	-1.0%
Choices & Options		2	\$ 22.09	\$ 21.87	-1.0%
		3	\$ 28.80	\$ 28.51	-1.0%
^a 1 = Employee only 2 = Employee + 1 Dependent 3 = Employee + 2 or more Dependents ^b Delta Dental rates reflect negotiated County subsidy. Delta Dental rates are guaranteed through 12/31/2014. ^c DeltaCare rates are guaranteed through 12/31/2014. ^d SafeGuard rates are guaranteed through 12/31/2014.					

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR NON-REPRESENTED EMPLOYEES
CURRENT 2013 RATES AND PROPOSED 2014 RATES**

Plan	Option	Coverage Category ^a	Current 2013 Rates ^b	Proposed 2014 Rates ^b	Percentage Change
ANTHEM BLUE CROSS	CaliforniaCare HMO	1	\$ 254.00	\$ 303.00	19.3%
		2	\$ 498.00	\$ 594.00	19.3%
		3	\$ 522.00	\$ 623.00	19.3%
		4	\$ 591.00	\$ 705.00	19.3%
	PLUS POS	1	\$ 384.00	\$ 458.00	19.3%
		2	\$ 772.00	\$ 921.00	19.3%
		3	\$ 791.00	\$ 944.00	19.3%
		4	\$ 881.00	\$ 1,051.00	19.3%
	Catastrophic	1	\$ 197.00	\$ 235.00	19.3%
		2	\$ 395.00	\$ 471.00	19.2%
		3	\$ 402.00	\$ 480.00	19.4%
		4	\$ 464.00	\$ 554.00	19.4%
	Prudent Buyer PPO	1	\$ 491.00	\$ 586.00	19.3%
		2	\$ 902.00	\$ 1,076.00	19.3%
		3	\$ 936.00	\$ 1,117.00	19.3%
		4	\$ 1,085.00	\$ 1,295.00	19.4%
KAISER Flex/Megaflex		1	\$ 254.00	\$ 303.00	19.3%
		2	\$ 498.00	\$ 594.00	19.3%
		3	\$ 522.00	\$ 623.00	19.3%
		4	\$ 591.00	\$ 705.00	19.3%
DELTA DENTAL ^c Flex/Megaflex		1	\$ 32.25	\$ 31.11	-3.5%
		2	\$ 51.90	\$ 49.78	-4.1%
		3	\$ 55.31	\$ 53.27	-3.7%
		4	\$ 82.84	\$ 79.77	-3.7%
DELTACARE USA ^d Flex/Megaflex		1	\$ 15.41	\$ 15.41	0.0%
		2	\$ 26.62	\$ 26.62	0.0%
		3	\$ 26.43	\$ 26.43	0.0%
		4	\$ 38.36	\$ 38.36	0.0%
SAFEGUARD ^e Flex/Megaflex		1	\$ 11.45	\$ 11.34	-1.0%
		2	\$ 21.44	\$ 21.23	-1.0%
		3	\$ 24.17	\$ 23.93	-1.0%
		4	\$ 31.55	\$ 31.23	-1.0%

^a 1 = Employee only

2 = Employee + Child(ren)

3 = Employee + Spouse

4 = Employee + Spouse + Chil(ren)

^b Rates, where applicable, are net of County subsidy; except that the premium charged to an employee whose benefits are subject to COBRA is the carrier quoted rate plus an administrative charge as prescribed by COBRA.

Anthem Blue Cross rates include the cost of the 360° health programs and the cost of the vision benefit for the HMO, POS, and PPO.

Anthem Blue Cross and Kaiser rates include mandatory Federal healthcare reform & Autism benefit costs.

^c Delta Dental rates reflect negotiated County subsidy.

Delta Dental rates are guaranteed through 12/31/2014.

^d DeltaCare rates are guaranteed through 12/31/2014.

^e SafeGuard Rates are guaranteed through 12/31/2014.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2013 RATES AND PROPOSED 2014 RATES**

				Monthly Cost per \$1,000 of Insurance	
				<u>2013^a</u>	<u>2014^a</u>
COUNTY-PAID BASIC GROUP TERM-LIFE INSURANCE				\$0.146	\$0.146
OPTIONAL GROUP TERM LIFE INSURANCE FOR REPRESENTED EMPLOYEES					
Employee: The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the following table:					
<u>Age</u>			<u>2013^{a,b}</u>	<u>2014^{a,b}</u>	
Less than 30			\$0.039	\$0.037	
30-34			\$0.067	\$0.064	
35-39			\$0.075	\$0.072	
40-44			\$0.084	\$0.081	
45-49			\$0.125	\$0.120	
50-54			\$0.192	\$0.184	
55-59			\$0.360	\$0.346	
60-64			\$0.552	\$0.530	
65-69			\$0.788	\$0.756	
70 and over			\$1.515	\$1.454	
Dependent Term Life Insurance:				<u>2013^a</u>	<u>2014^a</u>
Cost per month per \$5,000 of coverage, no matter how many eligible dependents employee may have.				\$0.912	\$0.876
Coverage is offered in increments of \$5,000 up to \$20,000.					
Dependent coverage cost is charged to the employee.					
^a Rates are guaranteed through 12/31/2016. Rates are reduced for 2014 due to favorable experience.					
^b The County subsidizes 15% of the monthly premium.					

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2013 RATES AND PROPOSED 2014 RATES**

OPTIONAL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE - Cost per Month

Employee Coverage	Current 2013 Rates*		Proposed 2014 Rates*	
	Employee Only	Employee & Dependents	Employee Only	Employee & Dependents
	Plan G	Plan H	Plan G	Plan H
\$ 10,000	\$0.13	\$0.25	\$0.13	\$0.25
\$ 25,000	\$0.33	\$0.63	\$0.33	\$0.63
\$ 50,000	\$0.65	\$1.25	\$0.65	\$1.25
\$100,000	\$1.30	\$2.50	\$1.30	\$2.50
\$150,000	\$1.95	\$3.75	\$1.95	\$3.75
\$200,000	\$2.60	\$5.00	\$2.60	\$5.00
\$250,000	\$3.25	\$6.25	\$3.25	\$6.25
\$300,000	\$3.90	\$7.50	\$3.90	\$7.50
\$350,000	\$4.55	\$8.75	\$4.55	\$8.75

These figures apply regardless of employee's age. If Plan H is selected, all eligible dependents will be insured automatically.

The maximum insurance coverage amount for represented participants is \$250,000.

* Rates are guaranteed through 12/31/2016.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2013 RATES AND PROPOSED 2014 RATES**

**OPTIONAL GROUP VARIABLE UNIVERSAL LIFE INSURANCE
FOR FLEX/MEGAFLEX PARTICIPANTS**

Employee: The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the following table:

<u>Age</u>	<u>2014 Rate*</u>	<u>Age</u>	<u>2014 Rate*</u>	<u>Age</u>	<u>2014 Rate*</u>
20-24	\$0.038	57	\$0.283	77**	\$2.074
25-29	\$0.047	58	\$0.319	78**	\$2.341
30-34	\$0.055	59	\$0.357	79**	\$2.638
35-39	\$0.056	60	\$0.400	80**	\$3.405
40	\$0.065	61	\$0.451	81**	\$3.930
41-42	\$0.066	62	\$0.498	82**	\$4.287
43	\$0.074	63	\$0.535	83**	\$4.674
44	\$0.084	64	\$0.593	84**	\$5.092
45	\$0.093	65	\$0.616	85**	\$5.556
46	\$0.102	66	\$0.692	86**	\$6.042
47	\$0.110	67	\$0.736	87**	\$6.574
48	\$0.129	68	\$0.820	88**	\$7.144
49	\$0.138	69	\$0.911	89**	\$7.730
50	\$0.147	70	\$1.003	90**	\$8.329
51	\$0.165	71	\$1.109	91**	\$8.960
52	\$0.174	72	\$1.231	92**	\$9.607
53	\$0.191	73	\$1.352	93**	\$10.275
54	\$0.210	74	\$1.496	94**	\$10.953
55	\$0.238	75	\$1.649		
56	\$0.256	76**	\$1.831		

* Rates are guaranteed through 12/31/2016.

Employee cost for MegaFlex employees is half of actual premium. The County pays the other 50%.

** For employees age 76-94 who remain in County service, County will subsidize the difference between the employee's cost of coverage using the premiums for the employee's actual age and cost of coverage using age 75 rate.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2013 RATES AND PROPOSED 2014 RATES**

Dependent Term Life Insurance for Flex and MegaFlex Participants

Cost per month per \$5,000 of dependent life coverage, up to \$20,000.	<u>2014 Rate*</u> 1.12**
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SURVIVOR INCOME BENEFIT - For MegaFlex participants enrolled in Retirement Plan E

		2014 Rates*				
	<u>Employee Age</u>	<u>Employee Cost**</u>				
		<u>(10% Option)</u>	<u>(15% Option)</u>	<u>(25% Option)</u>	<u>(35% Option)</u>	<u>(50% Option)</u>
	Under 30	0.062%	0.093%	0.160%	0.216%	0.309%
	30 to 34	0.082%	0.123%	0.198%	0.285%	0.408%
	35 to 39	0.106%	0.159%	0.259%	0.372%	0.531%
	40 to 44	0.146%	0.219%	0.370%	0.510%	0.729%
	45 to 49	0.198%	0.297%	0.494%	0.691%	0.988%
	50 to 54	0.262%	0.393%	0.655%	0.916%	1.308%
	55 to 59	0.378%	0.567%	0.938%	1.322%	1.889%
	60 to 64	0.514%	0.771%	1.284%	1.799%	2.569%
	65 to 69	0.706%	1.059%	1.765%	2.471%	3.530%
	70 and over	1.254%	1.881%	3.136%	4.389%	6.270%

* Dependent Life and Survivor Income Benefit rates are guaranteed through 12/31/2016.

** Employee cost for MegaFlex is half of the actual premium. The County pays the other 50%.

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2013 RATES AND PROPOSED 2014 RATES**

MEGAFLEX SHORT-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

Current 2013 Rates			Proposed 2014 Rates		
<u>Income Replacement</u>	<u>Waiting Period</u>	<u>Cost</u>	<u>Income Replacement</u>	<u>Waiting Period</u>	<u>Cost</u>
70%	14 Days	0.000%	70%	14 Days	0.000%
100%*	7 Days	0.934%	100%*	7 Days	0.934%

* Reduced to 80% after 21 days

MEGAFLEX LONG-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

Current 2013 Rates			Proposed 2014 Rates	
<u>Income Replacement</u>	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>
40%	0.000%	0.040%	0.000%	0.040%
60%	0.117%	0.157%	0.117%	0.157%

* Plan E plus 5 or more years of continuous service

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2013 RATES AND PROPOSED 2014 RATES**

LONG-TERM DISABILITY HEALTH INSURANCE - Cost per month

For Flex/MegaFlex Employees

<u>Current 2013 Rate</u>		<u>Proposed 2014 Rate</u>	
75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
\$0.00	\$3.00	\$0.00	\$3.00

For Represented Employees

<u>Current 2013 Rate</u>		<u>Proposed 2014 Rate</u>	
75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
\$0.00	\$3.00	\$0.00	\$3.00

**UNION-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
CURRENT 2013 RATES AND PROPOSED 2014 RATES**

Plan	Option	Coverage Category ^a	Current 2013 Rates ^b	Proposed 2014 Rates ^b	Percentage Change
ALADS Blue Cross	Prudent Buyer Plan Under Age 50	1	\$ 800.64	\$ 872.08	8.9%
		2	\$ 1,557.69	\$ 1,698.92	9.1%
		3	\$ 1,790.79	\$ 1,953.74	9.1%
	Prudent Buyer Plan Age 50 and Over	1	\$ 800.64	\$ 872.08	8.9%
		2	\$ 1,557.69	\$ 1,698.92	9.1%
		3	\$ 1,790.79	\$ 1,953.74	9.1%
	CaliforniaCare Basic Plan (All Ages)	1	\$ 543.13	\$ 590.97	8.8%
		2	\$ 1,053.39	\$ 1,147.98	9.0%
		3	\$ 1,304.19	\$ 1,421.97	9.0%
	Prudent Buyer Plan Premier Plan Under Age 50	1	\$ 908.78	\$ 990.93	9.0%
		2	\$ 1,665.83	\$ 1,817.77	9.1%
		3	\$ 1,898.93	\$ 2,072.59	9.1%
	Prudent Buyer Plan Premier Plan Age 50 and Over	1	\$ 908.78	\$ 990.93	9.0%
		2	\$ 1,665.83	\$ 1,817.77	9.1%
		3	\$ 1,898.93	\$ 2,072.59	9.1%
	CaliforniaCare Premier Plan (All Ages)	1	\$ 651.27	\$ 709.82	9.0%
		2	\$ 1,161.53	\$ 1,266.83	9.1%
		3	\$ 1,412.33	\$ 1,540.82	9.1%
CAPE (Choices) Blue Shield	Classic	1	\$ 738.00	\$ 776.00	5.1%
		2	\$ 1,429.00	\$ 1,502.00	5.1%
		3	\$ 1,701.00	\$ 1,789.00	5.2%
	Lite	1	\$ 454.00	\$ 477.00	5.1%
		2	\$ 933.00	\$ 980.00	5.0%
		3	\$ 1,165.00	\$ 1,224.00	5.1%
	PPO (Out-of-state only)	1	\$ 736.00	\$ 770.00	4.6%
		2	\$ 1,423.56	\$ 1,496.56	5.1%
		3	\$ 1,694.56	\$ 1,783.56	5.3%
CAPE (Options) Blue Shield	Classic	1	\$ 732.00	\$ 770.00	5.2%
		2	\$ 1,425.44	\$ 1,498.44	5.1%
		3	\$ 1,695.44	\$ 1,783.44	5.2%
	Lite	1	\$ 448.00	\$ 471.00	5.1%
		2	\$ 929.44	\$ 976.44	5.1%
		3	\$ 1,159.44	\$ 1,218.44	5.1%
	PPO (Out-of-state only)	1	\$ 730.00	\$ 764.00	4.7%
		2	\$ 1,420.00	\$ 1,493.00	5.1%
		3	\$ 1,689.00	\$ 1,778.00	5.3%
FIREFIGHTERS LOCAL 1014		1	\$ 643.00	\$ 673.00	4.7%
		2	\$ 1,221.56	\$ 1,278.56	4.7%
		3	\$ 1,451.56	\$ 1,519.56	4.7%

^a 1 = Employee only
 2 = Employee + 1 Dependent
 3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies; all CAPE 2014 rates include enhanced DME benefits.

ENCLOSURES TO EXHIBIT V

1. ALADS Request
2. CAPE Request
3. Los Angeles County Fire Fighters Local 1014 Request

ALADS Insurance Trust

9500 Topanga Canyon Blvd. Chatsworth, CA 91311
Tel (818) 678-0040 • (800) 842-6635 • Fax (818) 679-0030

July 23, 2013

VIA U.S. MAIL AND E-MAIL: ecarrillo@hr.lacounty.gov

Ms. Lisa M. Garrett, Director of Personnel
County of Los Angeles
Hall of Administration, Room 579
500 West Temple Street
Los Angeles, California 90012

Attention: Ms. Eliza Carrillo, Human Resources Manager
Department of Human Resources
Employee Benefits – Deferred Income Division
3333 Wilshire Blvd., Suite #1000
Los Angeles, California 90010

RE: ALADS/ANTHEM BLUE CROSS 2014 PLAN PREMIUMS

Dear Ms. Carrillo:

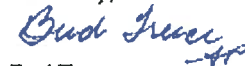
Following are the monthly premium rates for the ALADS Anthem Blue Cross
Prudent Buyer and CaliforniaCare medical and dental plans for the 2014 plan year:

Plan	Employee	Employee + 1	Employee + 2
Prudent Buyer Basic	872.08	1,704.36	1,959.18
Prudent Buyer Premier	990.93	1,823.21	2,078.03
CaliforniaCare Basic	590.97	1,153.42	1,427.41
CaliforniaCare Premier	709.82	1,272.27	1,546.26

These rates include the Affordable Care Act (ACA) charges required by the federal government of over 4 million dollars. These charges equate to approximately 4.0% of premium, or, ½ the total premium increase for Plan 2014.

The ALADS plans do provide "Creditable Coverage" as required by CMS.

Sincerely,



Bud Treece
ALADS Trust Administrator



August 5, 2013

Eliza Carrillo
Senior Human Resources Manager
Employee Benefits-Deferred Income Division
County of Los Angeles
Department of Human Resources
3333 Wilshire Boulevard
Los Angeles, CA 90010

Re: 2014 RENEWAL – CAPE/BLUE SHIELD MEDICAL PLANS

Dear Ms. Carrillo:

This letter is to advise you of the CAPE Benefit Trust Board of Trustees' approval of the renewal of Blue Shield's contracts for the year 2014 for the CAPE/Blue Shield Point of Service Classic, Lite and the out-of-state PPO COBRA medical plans. Attached please find the benefit structures and rates for all three plans.

The benefits listed below have been enhanced, or added, as follows:

- Enhanced vision benefit through VSP with exams, frames, lenses or contacts every 12 months.
- Durable medical equipment, prosthetics and orthotics covered at 100% in all three rate tiers for the Classic and Lite, and both COBRA PPO tiers.

There are no other core benefit changes for 2014 other than any mandated regulatory changes. We would appreciate your forwarding the 2014 CAPE/Blue Shield medical plans' information to the Board of Supervisors for their timely approval.

Sincerely,

CALIFORNIA ASSOCIATION OF
PROFESSIONAL EMPLOYEES BENEFIT TRUST

A handwritten signature in black ink, appearing to read "John W. Fallon".

John W. Fallon
Chairman
CAPE Benefit Trust Board of Trustees

Attachments

**2014 CAPE/Blue Shield
Classic Plan***

BENEFITS		PRIMARY CARE NETWORK		PPO NETWORK (800) 487-3992, www.bhsdca.com		OUT-OF-NETWORK (Reimbursements Based On Allowable Amounts)		
Type of Plan	All Participants	All Participants	All Participants	All Participants	All Participants	All Participants	All Participants	
Who is Eligible	None	None	None	None	None	None	None	
Calendar Year Deductible	None	None	None	None	None	None	None	
Maximum Annual Out-of-pocket Expenses	\$1,500/person; \$3,000/family	\$1,500/person; \$3,000/family	\$1,500/person; \$3,000/family	\$1,500/person; \$3,000/family	\$1,500/person; \$3,000/family	\$1,500/person; \$3,000/family	\$1,500/person; \$3,000/family	
Lifetime Maximum Benefit	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	
PREVENTIVE CARE								
Immunizations	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
Periodic Health Exams	100% no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100% no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100% no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100% no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100% no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100% no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100% no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	
Vision Care	VSP Provider-\$10 exam copayment; \$10 lenses/frames/contact lenses copayment-up to \$120-one per 12 months	VSP Provider-\$10 exam copayment; \$10 lenses/frames/contact lenses copayment-up to \$120-one per 12 months	VSP Provider-\$10 exam copayment; \$10 lenses/frames/contact lenses copayment-up to \$120-one per 12 months	VSP Provider-\$10 exam copayment; \$10 lenses/frames/contact lenses copayment-up to \$120-one per 12 months	VSP Provider-\$10 exam copayment; \$10 lenses/frames/contact lenses copayment-up to \$120-one per 12 months	VSP Provider-\$10 exam copayment; \$10 lenses/frames/contact lenses copayment-up to \$120-one per 12 months	VSP Provider-\$10 exam copayment; \$10 lenses/frames/contact lenses copayment-up to \$120-one per 12 months	
MEDICALLY NECESSARY CARE								
Ambulance	100% after \$50 copayment	100% after \$50 copayment	100% after \$50 copayment	100% after \$50 copayment	100% after \$50 copayment	100% after \$50 copayment	100% after \$50 copayment	
Doctor Office Visits	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	
Emergency Room	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	
Hospital Care	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
Maternity	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
Surgery	100% no copayment (outpatient \$50 copayment)	100% no copayment (outpatient \$50 copayment)	100% no copayment (outpatient \$50 copayment)	100% no copayment (outpatient \$50 copayment)	100% no copayment (outpatient \$50 copayment)	100% no copayment (outpatient \$50 copayment)	100% no copayment (outpatient \$50 copayment)	
X-Ray & Lab Tests	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
Prescription Drugs	\$5 (generic); \$15 (brand name); \$30 (nonformulary-requires preapproval); Mail-Order: 90-day Supply: \$10 (generic); \$30 (brand name); \$60 (nonformulary-requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary-requires preapproval); Mail-Order: 90-day Supply: \$10 (generic); \$30 (brand name); \$60 (nonformulary-requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary-requires preapproval); Mail-Order: 90-day Supply: \$10 (generic); \$30 (brand name); \$60 (nonformulary-requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary-requires preapproval); Mail-Order: 90-day Supply: \$10 (generic); \$30 (brand name); \$60 (nonformulary-requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary-requires preapproval); Mail-Order: 90-day Supply: \$10 (generic); \$30 (brand name); \$60 (nonformulary-requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary-requires preapproval); Mail-Order: 90-day Supply: \$10 (generic); \$30 (brand name); \$60 (nonformulary-requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary-requires preapproval); Mail-Order: 90-day Supply: \$10 (generic); \$30 (brand name); \$60 (nonformulary-requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary-requires preapproval); Mail-Order: 90-day Supply: \$10 (generic); \$30 (brand name); \$60 (nonformulary-requires preapproval)
MENTAL HEALTH CARE								
Mental Health-Outpatient	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	
Mental Health-Inpatient	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
OTHER PLAN BENEFITS								
Chiropractic Care	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	
Hearing Aids	100% maximum benefit every two years	100% maximum benefit every two years	100% maximum benefit every two years	100% maximum benefit every two years	100% maximum benefit every two years	100% maximum benefit every two years	100% maximum benefit every two years	
Home Health Care	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	
Physical Therapy	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	
Skilled Nursing Facility	100% no copayment (combined 100 days per calendar year)	100% no copayment (combined 100 days per calendar year)	100% no copayment (combined 100 days per calendar year)	100% no copayment (combined 100 days per calendar year)	100% no copayment (combined 100 days per calendar year)	100% no copayment (combined 100 days per calendar year)	100% no copayment (combined 100 days per calendar year)	

*This is a limited benefit summary. Refer to the carrier summary for further details.

In case of discrepancies, the carrier's summary takes precedence.

2014 Premium Rates
Employee Only: \$776.00
Employee + One: \$1,507.44
Employee + Family: \$1,794.44

**2014 CAPE/Blue Shield
Lite Plan***

BENEFITS		PRIMARY CARE NETWORK		PPO NETWORK	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)	
Type of Plan	All Participants	All Participants	A Point of Service Plan	All Participants	All Participants	
Who is Eligible	None	None	None	None	None	
Calendar Year Deductible	None	None	None	None	None	
Maximum Annual Out-of-pocket Expenses	\$1,500/person, \$3,000/family	None	None	None	None	
Lifetime Maximum Benefit	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	
PREVENTIVE CARE						
Immunizations	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
Periodic Health Exams	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
Vision Care	VSP Provides \$10 exam copayment; \$10 lenses/frames/contact lenses copayment up to \$120-one per 12 months	VSP Provides \$10 exam copayment; \$10 lenses/frames/contact lenses copayment up to \$120-one per 12 months	VSP Provides \$10 exam copayment; \$10 lenses/frames/contact lenses copayment up to \$120-one per 12 months	VSP Provides \$10 exam copayment; \$10 lenses/frames/contact lenses copayment up to \$120-one per 12 months	VSP Provides \$10 exam copayment; \$10 lenses/frames/contact lenses copayment up to \$120-one per 12 months	
MEDICALLY NECESSARY CARE						
Ambulance	100% after \$50 copayment	100% after \$50 copayment	100% after \$50 copayment	100% after \$50 copayment	100% after \$50 copayment	
Doctor Office Visits	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	
Emergency Room	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	
Hospital Care	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
Maternity	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
Surgery	100% no copayment (outpatient \$75 copayment)	100% no copayment (outpatient \$75 copayment)	100% no copayment (outpatient \$75 copayment)	100% no copayment (outpatient \$75 copayment)	100% no copayment (outpatient \$75 copayment)	
X-Ray & Lab Tests	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
Prescription Drugs	\$5 (generic); \$15 (brand name); \$30 (nonformulary requires preapproval); Mail-Order - 90-day Supply; \$10 (generic); \$30 (brand name); \$60 (nonformulary requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary requires preapproval); Mail-Order - 90-day Supply; \$10 (generic); \$30 (brand name); \$60 (nonformulary requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary requires preapproval); Mail-Order - 90-day Supply; \$10 (generic); \$30 (brand name); \$60 (nonformulary requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary requires preapproval); Mail-Order - 90-day Supply; \$10 (generic); \$30 (brand name); \$60 (nonformulary requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary requires preapproval); Mail-Order - 90-day Supply; \$10 (generic); \$30 (brand name); \$60 (nonformulary requires preapproval)	\$5 (generic); \$15 (brand name); \$30 (nonformulary requires preapproval); Mail-Order - 90-day Supply; \$10 (generic); \$30 (brand name); \$60 (nonformulary requires preapproval)
MENTAL HEALTH CARE						
Mental Health-Outpatient	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	
Mental Health-Inpatient	100% no copayment	100% no copayment	100% no copayment	100% no copayment	100% no copayment	
OTHER PLAN BENEFITS						
Chiropractic Care	100% after \$15 copayment	100% after \$15 copayment	100% after \$15 copayment	100% after \$15 copayment	100% after \$15 copayment	
Herbal/Aid	100% maximum benefit every two years	100% maximum benefit every two years	100% maximum benefit every two years	100% maximum benefit every two years	100% maximum benefit every two years	
Home Health Care	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	
Physical Therapy	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	100% after \$10 copayment	
Skilled Nursing Facility	100% no copayment (combined 100 days per calendar year)	100% no copayment (combined 100 days per calendar year)	100% no copayment (combined 100 days per calendar year)	100% no copayment (combined 100 days per calendar year)	100% no copayment (combined 100 days per calendar year)	

*This is a limited benefit summary. Refer to the carrier summary for further details.

In case of discrepancies, the carrier's summary takes precedence.

2014 Premium Rates
Employee Only: \$477.00
Employee + One: \$985.44
Employee + Family: \$1,229.44

**2014 CAPE/Blue Shield
COBRA PPO Plan ***

(800) 487-3092 www.blueshieldca.com

BENEFITS		IN-NETWORK	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan		A Preferred Provider	Under Option Plan
Who is Eligible		Participants residing outside the State of California	Participants residing outside the State of California
Calendar Year Deductible		\$250 per person; \$500 per family maximum (combined In-Network and Out-of-Network)	\$250 per person; \$500 per family maximum (combined In-Network and Out-of-Network)
Maximum Annual Out-of-pocket Expenses		After deductible, \$3,000/person; \$6,000/family (combined - In-Network and Out-of-Network)	After deductible, \$10,000/person; \$20,000/family (combined - In-Network and Out-of-Network)
Lifetime Maximum Benefit		Unlimited	Unlimited
PREVENTIVE CARE			
Immunizations		100% no copayment and not subject to the deductible	100% no copayment and not subject to the deductible
Periodic Health Exams		100% no copayment (includes Well Woman Pap Smear and Mammography/Well Baby Lab subject to deductible)	100% no copayment (includes Well Woman Pap Smear and Mammography/Well Baby Lab subject to deductible)
Vision Care		VSP Providers \$10 exam copayment; \$10 lenses/frames/contact lenses copayment up to \$120-one per 12 months	Non-VSP Providers-reimbursement per 12 months-exam up to \$45; frames up to \$70; Lenses up to \$65; contacts up to \$105
MEDICALLY NECESSARY CARE			
Ambulance		90% after deductible	90% after deductible
Doctor Office Visits		\$20 copayment (not subject to deductible)	70% after deductible
Emergency Room		90% after \$50 copayment (waived if admitted)	90% after \$50 copayment (waived if admitted)
Hospital Care		90% after deductible	70% after deductible, carrier max payment \$420 per day
Maternity		100% after \$20 copayment (not subject to deductible)	70% after deductible
Surgery		90% after deductible	70% after deductible, outpatient-carrier max pmtl \$420 per day
X-Ray & Lab Tests		90% after deductible	70% after deductible
Prescription Drugs		\$10 (generic), \$15 (brand name), \$30 (nonformulary) Mail-Order 90-day Supply: \$20 (generic), \$30 (brand name), \$60 (nonformulary)	Covered for emergencies only- 75% of lesser of actual price or reasonable charge, minus copayment
MENTAL HEALTH CARE			
Mental Health-Outpatient		\$20 copayment (not subject to deductible)	70% after deductible
Mental Health-Inpatient		90% after deductible	70% after deductible, carrier max payment \$420 per day
Chiropractic Care		Provided by Magellan. Must be arranged through MHS-A	70% - maximum 12 visits per calendar year combined with In-Network visits
OTHER PLAN BENEFITS			
Home Health Care		90% after deductible (combined 100 visits per calendar year)	70% after deductible (combined 100 visits per calendar year)
Hospice Care		100% when provided by authorized hospice agency	100% when provided by authorized hospice agency
Physical Therapy		90% after deductible	70% after deductible
Skilled Nursing Facility		90% after deductible (combined 100 days per calendar year)	70% after deductible (combined 100 days per calendar year)

*This is a limited benefit summary. Refer to the carrier summary for further details.
In case of discrepancies, the carrier's summary takes precedence.

2014 Premium Rates
Employee Only: \$ 770.00
Employee + One: \$1,502.00
Employee + Family: \$1,789.00



**LOS ANGELES COUNTY FIRE FIGHTERS
LOCAL 1014 HEALTH AND WELFARE PLAN**

3460 FLETCHER AVENUE • EL MONTE, CALIFORNIA 91731
(310) 639-1014 (800) 660-1014 (within California)



August 2, 2013

Ms. Eliza M. Carrillo
Senior Human Resources Manager
Employee Benefits/ Deferred Income Division
County of Los Angeles
Department of Human Resources
3333 Wilshire Boulevard
Los Angeles, California 90010

**RE: Plan Year 2014 Employee Insurance Information
Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan**

Dear Ms. Carrillo:

In response to your letter of June 24, 2013, I am providing the plan year 2014 employee benefit and premium changes that were approved by the Board of Trustees.


There are no benefit plan changes for 2014. After conferring with Mercer, the Plan's consultant, the Board of Trustees approved a 4.66% premium increase for 2014. Our monthly rates for 2014, rounded to the nearest dollar are as follows:

Member Only	\$ 673.00
Member + 1 Dependent	\$1284.00
Family	\$1525.00

Also, per your request, I am confirming our belief that the 1014 plan meets the bronze "metal level" of coverage, as described in the Covered California Health Exchange.

Should you have any questions, please contact me by e-mail at rcyrus@local1014.org or call me at (800) 660-1014.

Sincerely,


Reginald A. Cyrus, CEBS
Administrative Manager

C: Dave Gillotte

*Representing Professional Firefighters in 54 Cities and the County of Los Angeles
Affiliated with . . . International Association of Fire Fighters, AFL-CIO • California Professional Firefighters, AFL-CIO
California Labor Federation, AFL-CIO • L.A. County Federation of Labor, AFL-CIO*





August 16, 2013

Attachment A

Ms. Eliza Carrillo
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2014 Renewal Results and Recommendations (Represented Plans)

Dear Eliza:

The following letter summarizes the 2014 renewal proposals for medical, dental, life and AD&D plans offered to the represented employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process is outlined in the attached Addendum.

The 2014 renewal was also impacted by fees imposed under the Affordable Care Act (ACA), the Patient Centered Outcomes Research Institute (PCORI), the insurer fee and the reinsurance fee. Some of these fees are assessed on a per member basis and others are a percent of premium basis. For the medical carriers, Anthem, Cigna, Kaiser and UHC, the additional cost impact included in the renewal is between 1.9% - 3.4% of total cost. For the dental carriers, Delta Dental and Safeguard/MetLife, the additional cost impact included in the renewal is between 1.0% - 2.1% of total cost.

Medical Plans

Overview

For all represented medical plans, the final projected premium increase for 2014 is **8.9%**, or about **\$66.9 million** over 2013 premiums. The initial proposed renewal increase for the represented medical plans was **10.6%**. Negotiated reductions to the medical renewals (exclusive of benefit design changes) equate to approximately **\$12.8 million**. For more details on final rate increases, please refer to Attachment C.

After evaluation of the renewal proposals, Aon Hewitt recommends that the County accept the final 2014 renewals offered by Cigna, Kaiser and United Healthcare (UHC) as outlined in the table below.



	Cigna (Choices & Options)	Kaiser Choices	Kaiser Options	UHC Options
Initial 2014 Renewal Action	+15.0%	+6.9%	+7.7%	+15.3%
Final 2014 Renewal Action	+13.2%	+7.8%	+7.7%	+9.9%

It is our opinion that as the County is not making any carrier changes and did not reduce benefits, but enhanced the durable medical equipment benefit for Kaiser Choices, all plans should continue to maintain 'grandfathered' status with respect to health care reform. We recommend the County seek the advice of their own legal counsel in this regard, as Aon Hewitt is not a law firm and cannot provide legal advice.

A summary of key issues, proposal terms, and negotiation results are outlined by carrier on the following pages.

Cigna

Cigna initially proposed a **15.0%** increase to the combined HMO and POS rates for 2014, representing an increase over 2013 premiums of approximately **\$6.9 million** for Choices and **\$2.5 million** for Options. No performance guarantee penalties were generated in 2012. **No penalty** credits will be applied to the PSR.

Renewal discussions with Cigna targeted the following issues:

- Midpoint to midpoint calculation used by Cigna
- Increase in retention costs
- Analysis of expenses for Health Care Reform
- Factors used to generate demographic adjustment
- Improvements in overall experience

The County's financial arrangement with Cigna provides for a year-end reconciliation of premiums, claims, and expenses associated with the plan. Surpluses are deposited to the PSR and any shortfall is withdrawn from the PSR, to the extent that funds are available. The PSR had grown to a significant level by 2008 and a premium subsidy was applied to the 2009 renewal. No subsidy was applied to the 2010 rates. As claim experience deteriorated, the annual accounting resulted in a deficit, and the stabilization reserve was exhausted. Therefore, there was no premium offset from the PSR for 2011, 2012, or 2013, and again there is no premium offset for 2014.



The chart below summarizes the most recent four years of the PSR (updated based settlements provided by Cigna).

	2009	2010	2011	2012
Premium	\$45,982,093	\$54,445,612	\$61,154,703	\$61, 520,806
Year-end Premium Stabilization Reserve (PSR)	(\$1,175,616)	(\$1,552,812)	(\$414,033)	(\$1,320,683)
PSR % of Premium	-2.56%	-2.85%	-0.68%	-2.15%

Negotiations with Cigna resulted in a final **13.2%** increase. This amounts to an increase of approximately **\$6.1 million** for Choices, and **\$2.2 million** for Options over current costs, and a savings of approximately **\$1.1 million** from Cigna's original proposal. We believe that Cigna has justified their renewal position and that the County should accept their offer.

Kaiser

Kaiser's initial renewal proposal was a **6.9%** increase for the Choices plan, representing an increase over 2013 premiums of approximately **\$8.1 million**. Kaiser's renewal proposal for Options was **7.7%** increase, representing an increase over 2013 premiums of approximately **\$26.2 million**. Combined, Kaiser's initial renewal proposal for the represented population is a **7.5%** increase, representing an increase over 2013 premiums of approximately **\$34.3 million**.

For the Choices plan, an adjustment was made to the existing plan design to include an enhancement to the Durable Medical Equipment (DME) benefit in order to align the plan with that of Options. This plan design change resulted in a **7.8%** increase for Choices, representing approximately **\$9.2 million** over current premiums.

The adjusted total increase for Kaiser represented plans is **7.7%** or **\$35.4 million** over current premiums.

Kaiser's Southern California commercial trend rate for 2014 is projected to be 5.4%, which does not include ACA taxes and fees. In 2011 and the first half of 2012, Kaiser had no performance guarantee penalties with the County. **No penalty** amounts will be applied to 2014 rates. Performance guarantee results for the remainder of 2012 are not yet final and will be applied to the 2015 renewal.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Large claims pooling point
- Demographic changes
- Retention charges
- Emergency room and overall utilization
- Disease management
- Grandfathered status
- Cap on Total Health Assessment (THA) budget

Aon Hewitt believes that the requested rate increase for the Kaiser Permanente represented plans is reasonable and justified.

United Healthcare

UHC's initial renewal proposal was a **15.3%** overall increase. The increases were a **15.0%** increase to the HMO and a **29.6%** increase to the PPO rates for 2014, representing a total increase of approximately **\$36.0 million** over current premiums.

Discussions with UHC targeted the following key areas:

- Medical & Rx claims trend
- Out of Pocket maximum charges
- Capitation projections
- Pooling charges
- Retention
- Large claims projections
- ER copay alternatives
- Affordability options for the PPO

Negotiations with UHC resulted in an increase of **9.7%** for the HMO and a **19.9%** increase for the PPO, for a combined increase of **9.9%**, representing a total increase of approximately **\$23.3 million**, and a total savings of **\$12.7 million** over the initial renewal position. UHC had 2012 performance guarantee penalties of **\$672,413**, to be applied to the 2014 rates. We believe that UHC has justified their renewal position and that the County should accept their offer.

Dental Plans

Delta Dental

Delta Dental's initial PPO renewal proposal was a **2.7%** decrease for the Choices plan and a **3.6%** decrease for the Options plan, representing a total decrease of approximately **\$518,000** from current premiums for Choices and an approximate **\$1.9 million** decrease for Options. Negotiations resulted in final renewal decreases of **8.6%**, and **9.4%** respectively, for an approximate savings of **\$1.1 million** for Choices and **\$3.2 million** for Options.

DeltaCare USA's initial renewal proposal was a **2.7%** increase for both the Choices plan and the Options plan, representing an increase of approximately **\$27,000** over current premiums for Choices and approximately **\$52,000** for Options. Negotiations resulted in final renewals of **0.0%** for both plans, for an approximate savings of **\$27,000** for Choices and **\$52,000** for Options.

DeltaCare USA HMO had performance guarantee penalties of **\$4,489** for Choices and **\$8,583** for Options, for a total penalty of **\$13,072** for the represented population. The HMO penalties will be applied towards reduction of the 2014 HMO renewal rates. No penalties were generated for the PPO plan. Based on our review, we believe that Delta's proposed rates are justified.

Safeguard Prepaid Dental

Safeguard's initial renewal proposal was a **6.3%** increase for both the Choices plan and the Options plan, representing an increase of approximately **\$58,000** over current premiums for Choices and approximately **\$103,000** for Options. Negotiations resulted in a **1.0%** reduction to current rates, for an approximate savings of **\$67,000** for Choices and **\$119,000** for Options.

Safeguard had no performance guarantee penalties with the County. **No penalty** amounts will be applied to 2014 rates. We believe Safeguard's most recent renewal proposal is justified and recommend that the County accept it.



Ms. Eliza Carrillo
County of Los Angeles
Page 7

Life and AD&D

Cigna Life

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At the end of the 2012 plan year, there was approximately **\$1.0 million** available for refund to the County (Represented and Non-represented populations combined). The strategy over the past couple of years has been to apply rate decreases to the program in order to start reducing the surplus. The experience on the basic life is running at a 110% loss ratio, well over the target of 88% and no longer producing an annual surplus. Cigna is under rate guarantee through 12/31/2016.

A review of the plan's supplemental life experience revealed that it is running at an 84% loss ratio, which is slightly better than target. Cigna is providing employees with a 4% rate decrease for supplemental employee and dependent life for 1/1/2014 through 12/31/2016. The AD&D insurance has been running better than expected, at a 59% loss ratio. Due to the limited credibility of AD&D coverage, Cigna will maintain the current rates to 12/31/2016, the end of the rate guarantee period.

If you have any questions about the above information, please give me a call to discuss.

Sincerely,

A handwritten signature in blue ink, appearing to read "Vern Menden".

Vern Menden
Senior Vice President
Aon Hewitt, Los Angeles

CC:

Jim Adams – County of Los Angeles
Shawn Atin – County of Los Angeles
Maryanne Keehn – County of Los Angeles
Hoa Phan – County of Los Angeles
Robin Urban – County of Los Angeles
Stephen Caulk – Aon Hewitt, Denver
Tim Conard – Aon Hewitt, Los Angeles
Kent Levihn – Aon Hewitt, Houston

Addendum

Process

The renewal request, analysis, and negotiation are multi-step processes, conducted over a period of several months. Request for Renewals (RFRs) are drafted and reviewed by the Aon Hewitt and County stakeholders.

The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by an officer with the authority to bind the company
- Questionnaire targeting key County objectives and issues, including rate development, utilization, and legislative issues such as health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development, and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Aon Hewitt drafts negotiation letters for each plan. The drafts are reviewed by the County and the Union consultants, and their respective comments are incorporated before release to the carriers. Bi-weekly status conference calls are conducted between Aon Hewitt and the County to discuss the renewal results, negotiation process, and any open issues.

Responses to the negotiation letters are due from the carriers prior to the renewal meetings. Again, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEO offices, Union consultants, BAC and EBAC committees, and Aon Hewitt, as well as the carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues and requests for reduced rates (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.



Attachment B

August 16, 2013

Ms. Eliza Carrillo
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2014 Renewal Results and Recommendations (Non-Represented Plans)

Dear Eliza:

The following letter summarizes the 2014 renewal proposals for medical, dental, life and AD&D plans offered to the non-represented employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process is outlined in the attached Addendum.

The 2014 renewal was also impacted by fees imposed under the Affordable Care Act (ACA), the Patient Centered Outcomes Research Institute (PCORI), the insurer fee and the reinsurance fee. Some of these fees are assessed on a per member basis and others are a percent of premium basis. For the medical carriers, Anthem, Cigna, Kaiser and UHC, the additional cost impact included in the renewal is between 1.9% - 3.4% of total cost. For the dental carriers, Delta Dental and Safeguard/MetLife, the additional cost impact included in the renewal is between 1.0% - 2.1% of total cost.

Medical Plans

Overview

For all non-represented medical plans, the final projected premium increase for 2014 is **8.8%**, approximately **\$13.2 million** over 2013 premiums. The initial proposed renewal increase for the non-represented medical plans was **8.9%**. Negotiated reductions to the medical renewals (exclusive of benefit design changes) equate to approximately **\$0.14 million**. For more details on final rate increases, please refer to Attachment C.

After evaluation of the renewal proposals, Aon Hewitt recommends that the County accept the final 2014 renewals offered by Anthem and Kaiser. Please see page 2 for a detailed summary of Aon Hewitt's findings.

It is our opinion that as the County is not making any carrier or benefit changes, all plans should continue to maintain 'grandfathered' status with respect to health care reform. We recommend the County seek the advice of their own legal counsel in this regard, as Aon Hewitt is not a law firm and cannot provide legal advice.

A summary of key issues, proposal terms and negotiation results are outlined by carrier on the following pages.

	Anthem	Kaiser
Initial 2014 Renewal Action	+9.6%	+7.9%
Final 2014 Renewal Action	+9.4%	+7.9%

Anthem Blue Cross

The Anthem Blue Cross program is a minimum premium arrangement, where expected and maximum liability costs are projected based on prior claims experience and the fixed costs associated with administration of the plan. The Anthem maximum liability costs are the basis for the renewals outlined in this letter. Anthem's initial renewal proposal was a **9.6%** increase across all plans or about **\$8.9 million** over 2013 costs. All plans include specific stop loss of \$300,000 per individual. Aggregate stop loss was set at 120% of projected claims for the POS, PPO and Catastrophic plans; the aggregate stop loss limit is 115% of projected claims for the HMO plan. For the 2014 renewal, aggregate stop loss has been adjusted to 110% of projected claims for all Anthem lines of coverage.

Renewal discussions with Anthem targeted the following key areas:

- Margin/claims corridor size
- Medical and Rx trends by product
- Gaps in care
- Components of retention
- Grandfathered status
- Administration fees

Negotiations, as well as the adjustment to aggregate stop loss, resulted in an overall increase of **9.4%** across all plans or about **\$8.7 million** over 2013 costs, representing a savings of **\$0.14 million**.

Anthem provided their 2012 performance guarantee report and applied the penalty of **\$214,671** to the County's April 2013 invoice, so there is no direct impact to the renewal.

Vision benefits for the HMO, POS and PPO plans are offered on a non-participating fully insured basis through an arrangement between Anthem and VSP. There is also a portion of the vision benefit (coverage for laser eye surgery) that is self-insured by the County. The insured portion of the VSP benefit is in the second year of a two-year rate guarantee period through 12/31/2014. The cost of the vision program is included in the Anthem renewals described above.

We believe Anthem's most recent renewal proposal is justified and recommend that the County accept it.

Kaiser

Kaiser's initial renewal proposal is a **7.9%** increase or about **\$4.5 million** over 2013 costs for the Flex/MegaFlex plan. Kaiser had no performance guarantee penalties with the County. **No penalty** amounts will be applied to 2014 rates. As performance guarantee results for 2012 are not yet final, any penalties incurred in the final months of 2012 will be applied to the 2015 renewal.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Large claims pooling point
- Demographic changes
- Retention charges
- Emergency room and overall utilization
- Disease management
- Grandfathered status
- Cap on Total Health Assessment (THA) budget

We believe Kaiser's renewal proposal is justified and recommend that the County accept it.

Dental Plans

Delta Dental

Delta Dental's initial PPO renewal proposal was a **0.6%** decrease for the non-represented plan, representing a decrease of approximately **\$71,000** below current premiums. Negotiations resulted in a **6.7%** decrease from current rates, for an approximate savings of **\$704,000** from the initial renewal.

DeltaCare USA's initial renewal proposal was a **2.7%** increase for the non-represented plan, representing an increase of approximately **\$8,000** over current premiums. Negotiations resulted in final renewals of **0.0%**, for an approximate savings of **\$8,000**.

DeltaCare USA HMO had performance guarantee penalties of **\$1,279** for the non-represented plan. The Delta HMO penalties will be applied towards reduction of the 2014 HMO renewal rates.

Based on our review, we believe that Delta's proposed rates are justified.

Safeguard Prepaid Dental

Safeguard's initial renewal proposal was a **6.3%** increase for the non-represented plan, representing an increase of approximately **\$12,000** over current premiums. Negotiations resulted in a **1.0%** reduction to current rates, for an approximate savings of **\$14,000**.

Safeguard had no performance guarantee penalties with the County. **No penalty** amounts will be applied to 2014 rates.

We believe Safeguard's most recent renewal proposal is justified and recommend that the County accept it.

Life and AD&D***Cigna Life***

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At the end of the 2012 plan year, there was approximately **\$1.0 million** available for refund to the County (Represented and Non-represented populations combined). The strategy over the past couple of years has been to apply rate decreases to the program in order to start reducing the surplus. The experience on the basic life is running at a 110% loss ratio, well over the target of 88% and no longer producing an annual surplus. Cigna is under rate guarantee through 12/31/2016.

The AD&D insurance has been running better than expected, at a 59% loss ratio. Due to the limited credibility of AD&D coverage, Cigna will maintain the current rates to 12/31/2016, the end of the rate guarantee period.

If you have any questions about the above information, please give me a call to discuss.

Sincerely,



Vern Menden
Senior Vice President
Aon Hewitt, Los Angeles

CC:

Jim Adams – County of Los Angeles
Shawn Atin – County of Los Angeles
Maryanne Keehn – County of Los Angeles
Hoa Phan – County of Los Angeles
Robin Urban – County of Los Angeles
Stephen Caulk – Aon Hewitt, Denver
Tim Conard – Aon Hewitt, Los Angeles
Kent Levihn – Aon Hewitt, Houston

Addendum

Process

The renewal request, analysis and negotiation are multi-step processes, conducted over a period of several months. A planning meeting will the County begins the process in which objectives for the following plan year are established. This process was conducted by the County and Aon Hewitt.

Based on the planning meeting discussions, a Request for Renewal (RFR) was drafted. The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by a company officer with the authority to bind their proposal
- Questionnaire targeting key County objectives and issues, including rate development, utilization, legislative issues such as mental health parity and health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Aon Hewitt drafts negotiation letters for each plan. The drafts are reviewed by the County, and their comments are incorporated before release to the carriers. Bi-weekly status conference calls are conducted between Aon Hewitt and the County to discuss the renewal results, negotiation process and any open issues.

Responses to the negotiation letters are due from the carriers prior to the renewal meetings. Again, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEOs' offices, Aon Hewitt, and carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues and requests for reduced rates (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.

County of Los Angeles
2014 Renewal Results

	2013 Current Plan	2014 Initial Renewal Current Plan	2014 Negotiated Renewal Current Plan	% Change from 2013 ⁶	Negotiated Savings	Performance Guarantee Credits	Total Change from Base Renewal
Flex/MegaFlex							
Kaiser	\$57,485,257	\$62,015,255	\$82,015,255	7.9%	\$0	\$0	\$0
Anthem ¹	\$92,432,246	\$101,283,809	\$101,140,697	9.4%	\$143,212	\$214,671	(\$357,883)
Options							
Kaiser ¹	\$339,881,741	\$366,065,407	\$366,065,407	7.7%	\$0	\$0	\$0
Cigna ³	\$16,705,236	\$19,202,592	\$18,907,591	13.2%	\$295,022	\$0	(\$295,022)
United-Healthcare	\$235,158,982	\$271,128,406	\$268,413,515	8.9%	\$12,714,892	\$672,413	(\$13,387,305)
Choices							
Kaiser ²	\$116,784,306	\$124,877,324	\$125,947,802	7.8%	(\$1,070,478)	\$0	\$1,070,478
Cigna ³	\$46,100,487	\$52,993,763	\$52,176,423	13.2%	\$814,340	\$0	(\$814,340)
Total Medical⁴	\$904,528,255	\$997,566,546	\$984,689,559	8.9%	\$12,895,987	\$687,084	(\$13,784,071)
Delta PPO & DeltaCare HMO²							
Flex	\$11,849,106	\$11,786,100	\$11,074,183	-6.5%	\$711,938	\$1,279	(\$713,217)
Options	\$55,981,774	\$54,103,217	\$60,876,736	-8.1%	\$3,227,482	\$8,583	(\$3,236,065)
Choices	\$20,069,114	\$19,578,055	\$18,420,601	-8.2%	\$1,157,554	\$4,489	(\$1,162,043)
Safeguard²							
Flex	\$188,764	\$200,655	\$186,886	-1.0%	\$13,770	\$0	(\$13,770)
Options	\$1,631,894	\$1,734,834	\$1,615,635	-1.0%	\$119,199	\$0	(\$119,199)
Choices	\$915,179	\$972,914	\$908,082	-1.0%	\$66,852	\$0	(\$66,852)
Total Dental⁴	\$90,635,832	\$88,375,776	\$83,079,981	-8.3%	\$5,296,795	\$14,361	(\$5,311,146)
Cigna Basic Life	\$634,538	\$634,538	\$634,538	0.0%	\$0	\$0	\$0
Cigna AD&D	\$4,014,411	\$4,014,411	\$4,014,411	0.0%	\$0	\$0	\$0
Cigna Optional Life	\$27,852,445	\$26,738,347	\$28,738,347	-4.0%	\$0	\$0	\$0
Cigna Dependent Life	\$1,466,305	\$1,466,305	\$1,466,305	0.0%	\$0	\$0	\$0
Total Life & AD&D⁵	\$34,167,698	\$33,053,600	\$33,053,600	-3.3%	\$0	\$0	\$0
TOTAL	\$1,029,331,785	\$1,118,995,922	\$1,108,802,140	8.8%	\$18,193,782	\$601,435	(\$19,095,217)

Footnotes:

1. Anthem rates are calculated based on an expected premium basis plus 1% claims margin
2. Performance guarantee penalties are reported together by carrier but are shown split by group based on premium volume
3. Cigna does not incorporate performance guarantee penalties into rates; penalty amounts are credited to the PSR
4. Medical & dental premiums are calculated using January 2013 enrollment to project estimated annual cost
5. Life & AD&D premiums are calculated using January 2012 premium payments to project estimated annual cost
6. Underlying rates are rounded to two decimal places; percentages shown are rounded to one decimal point